

A Study on Factors Affecting to Establish Rural Entrepreneurial Activities

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Abstract

India's rural economy itself has changed in several fundamental ways and has grown to encompass both farm and non-farm sources of livelihood. Contribution of agriculture to Gross Domestic Product (GDP) has definitely come down but people depending on rural sector have not come down. Since agriculture cannot absorb all the growth in the rural workforce, the crucial role of non-farm activities in rural livelihoods was recognized in the 1980s. It is the rural non-farm sector that has emerged as the major source of rural economy and employment growth. Consequently the need for study on rural entrepreneurship (non-farm sectors) has got importance. Hence the question raises what motives the rural people to take up entrepreneurial activities. Therefore the intention of the present paper is to examine the motivational factors to take up entrepreneurial activities by rural people. This was an empirical micro level study based on data collected from rural entrepreneurs located in Bangalore rural district, Devanahally taluk on survey method. Analysis of collected data has been done through percentage statistical method. Indicators such as reasons for taking up entrepreneurial activities by rural Entrepreneurs, family background, income and previous occupation were used to identify the motivation factors of the rural entrepreneurs. The study found that for rural entrepreneurs non-farm activities are for livelihood purpose and it is a question of survival. Normally because of agricultural failure or low income from agriculture and other sources pushes rural people to take up entrepreneurial activities.

KEYWORDS: Agriculture, Entrepreneurship, Motivational Factors, Rural Entrepreneurship, Survival.

INTRODUCTION

National Sample Survey Organization (NSSO) 2011 Report says that sixty nine percent (833 million people) of Indians live in rural areas. However between 1993-94 and 2009-10 the share of rural households depending on agriculture as their main source of income declined from 68 percent to less than 58 percent. While the share of agriculture in Gross Domestic Product (GDP) declined steadily from 55 percent in 1950-51 to around 15 percent in 2009-10. Dependency on agriculture is kept on declining and dependence on non-agricultural activities is kept on increasing. As the agriculture could not absorb the growth in the rural workforce, the crucial role of non-farm activities in rural livelihoods came to limelight. In the last two decades growth in non-farm work accelerated and now almost a third of rural workers and 42.5 percent of rural households engaged in non-farm activities (NSSO, 2011).¹ In this way rural economy itself has changed in several fundamental ways and has grown to encompass both farm and non-farm sources of livelihood. Studies show that the non-farm sector actually acts as a safety net especially in regions of declining agricultural productivity.² For years the notion of rural entrepreneurship has received enormous universal recognition across the developed and

developing countries because of its effect on economic growth, regional development, employment creation and sustenance. Consequently the need for study on rural entrepreneurship (non-farm sectors) has got importance. Hence the question raises what motives the rural people to take up entrepreneurial activities. In conventional understanding of entrepreneurship a number of factors such as need for achievement, urge to become one's own boss, intention to exhibit skill and many such factors are put forwarded as the answer for the question why one opts for entrepreneurial activities. We could have attempted to see why individuals in rural areas opted for entrepreneurial activities from the above established notion of entrepreneurship if the rural and urban settings are similar. Therefore the intention of the present paper is to examine the motivational factors to take up entrepreneurial activities by rural people.

PROBLEMATIZATION

What motivates individuals to take up entrepreneurial activities in the rural areas is a big question. Let us see the existing body of knowledge on factors that motivated individuals to go for entrepreneurship. Shane opined that personality and motivation have an influence on the livelihood of exploiting entrepreneurial opportunity.³ The literature on factors motivating individuals to become entrepreneurs list out a number of factors such as need for achievement, autonomy or to be independent, gain social status and survival. Robichaud, McGraw and Roger studied North American entrepreneurs and have grouped motivational factors into four categories. These four categories are grouped under two heads – one extrinsic reward and two intrinsic rewards. Extrinsic rewards deals with the economic factors or individuals are motivated for economic reasons which include economic independence and autonomy. Intrinsic rewards deals with self-fulfillment aspects of entrepreneurship such as growth and family security.⁴ Wang, Walker and Redmond did a study on motivations of small business owners in Western Australia and identified 17 motivational factors and categorized them into four groups. They are one, personal development motivations, financial motivations, motivations related to work and family, and flexible lifestyle motivations.⁵ Kirkwood did a similar study on entrepreneurs in New Zealand and identified four key driving forces of entrepreneurship or motivation. The first is the desire to be independent. The second is monetary gain. The third relates to issues around work. The fourth key driver involves family-related factors such as a desire for work-family balance. The factors that relate to issues in work and family are mostly considered as push factors, while factors like achieving independence and monetary gain are pull factors.⁶

Among the theories of motivation of entrepreneurship McClelland's theory of the need to achieve and Rotter's locus of control theory are prominent. According to McClelland's theory individuals with a high need to achieve are those who like to solve their own problems. They not only set targets and make all out efforts to meet those targets. These are the individuals who are going to be successful entrepreneurs. The theory states that individuals who have a strong need to achieve become entrepreneurs and succeed better than others.⁷ According to Rotter's locus of control theory an individual's locus of control could be internal or external. Internal control refers to an individual's control over one's own actions. The results of one's actions are dependent on the characteristics of the individual's behaviour. External control refers to the thinking

process that focuses on the actions of other people, luck, fate or chance. Entrepreneurs usually have internal control expectations whereby they are willing to learn and motivate themselves instead of blaming others for their results.⁸ Agrawal and Chavan on different ethnic groups who have taken up various entrepreneurial ventures found that both push and pull factors have played significant role in making them entrepreneurs. The main push and pull factors they found were arrival circumstances, settlement, education, financial status, family background, job market, knowledge of English, past experience, no job satisfaction, retrenchment, independence, bad job conditions, discrimination, better opportunities and opportunities for better financial benefits.⁹

All these reviews in the existing researches force us to raise a number of questions on the existing body of knowledge on rural entrepreneurship. What are the exact traits of rural entrepreneurs? What are reasons for venturing into non-farm activities in rural areas by rural entrepreneurs? What are the exact motivational factors which push rural individual to take up entrepreneurial activities? Can we apply the push and pull factors given theories, text to rural entrepreneurs also? In order to answer all these questions an extensive and in depth study is needed. This study is an attempt in that direction and attempts to examine the motivation to take up entrepreneurial activities.

OBJECTIVES OF THE STUDY

The main objective of this study is to understand the causes for commencement of agencies of non-farm entrepreneurial activities in the rural areas. The specific objectives of the study are -

1. To know the theoretical background on motivational factors of rural entrepreneurship
2. To compare the theoretical background on motivational factors of rural entrepreneurship with the empirical evidences of present study
3. To analyze the similarities and differences between the theory with present study

METHOD OF THE STUDY

This is an empirical study based on data collected from rural entrepreneurs located in Bangalore rural district. District was selected based on the level of development. Two documents produced by the Government of Karnataka were used to decide the level of development. They are - one, High Power Committee for Redressal of Regional Imbalances Report, 2002¹⁰ and two, Human Development Report, 2014.¹¹ These reports have taluk-wise data on all the socio-economic indicators. Based on these data Devanahally taluk was selected for the study. Data was collected using a semi-structured questionnaire through a survey method. The questionnaire was distributed to the respondents through personal visit. Questionnaire contained totally 25 questions on social background of rural entrepreneurs. On the basis of convenient sampling 10 rural entrepreneurs were interviewed. Collected data were processed and tabulated by using the Percentage method. Indicators such as reasons for taking up entrepreneurial activities by rural entrepreneurs, family background, income and previous occupation were used to identify the motivation factors of the rural entrepreneur.

ANALYSIS OF DATA

I.REASONS FOR TAKING UP ENTREPRENEURIAL ACTIVITIES BY RURAL ENTREPRENEURS

Table – A: Reasons for Taking up Entrepreneurial Activities by Rural Entrepreneurs (in percentages)

Indicators	Numbers	Percentages
Agriculture Failure	02	20
To Supplement Agriculture Income	02	20
To Achieve	01	10
To Earn Livelihood	05	50
Total	10	100

Resource: Researcher's Field Survey

The above table shows the various factors that motivated individuals to take entrepreneurial activities in the rural areas. In the case of urban entrepreneurs or in the mainstream theories of entrepreneurship factors such as need for achievement, to be the boss of one's own, self-efficacy and so many individual centered factors are predominating reasons to start business ventures. But in the case rural entrepreneurs all those factors are marginal in their influence. The main reason or the factor which motivated the individuals to take up entrepreneurial activities in the rural areas is intention 'to earn livelihood'. According to the above table 50 percent of rural entrepreneurs have started business for livelihood purpose and 20 percent entrepreneurs have started business due agriculture failure. Above figures clearly show that in the case of rural entrepreneurs it is not the pull factors which are playing important role in making them entrepreneurs.

Rural urban dichotomy perspective constructs the rural and urban in black and white shades. In this narration the line demarcating the rural and the urban is thick and one can easily understand where rural ends and urban begins. In the same way what could be seen in the rural cannot be seen in the urban. This demarcation is not natural, it is man-made. All the urban spaces were once upon a time were very much rural. Keeping the rural as rural is not the ultimate goal of development, rather transforming rural into urban is the ultimate goal of development. In this way more emphasis is laid on urban development and less on rural development. Due to this under emphasis on rural development there are less number of banks, less power supply, less number of markets, less transportation facilities, less communication facilities and one can see everything in rural areas in a diminished form. That is why in spite of the fact that rural non-farm is contributing in around 43 percent to the nation's Gross Domestic Product (GDP), most of the rural non-farm entrepreneurs need to operate in an unorganised or in an informal environment. In an informal environment entrepreneurs are not operating according to the rules and regulations of the government. In the meantime government is also not supporting the rural entrepreneurs with finance or raw material or sheds or transportation or communication. There are less number of banks in the rural areas, chances of taking loans from banks are few cases, no proper infrastructure, poor education and guidance, marketability is risky are the important downsides of rural environment. All these

bottlenecks work as hurdles in the path of people who live in the rural areas and offer very less opportunities of earning decent income. That is why more number of entrepreneurs in the rural area said that they have come to non-farm sector to earn their livelihood.¹²

The major problem of entrepreneurial theories and texts are that they focus on the characteristics of urban entrepreneurs and assume that what is true to urban entrepreneurs would be true to rural entrepreneurs. This assumption is wrong. The educational background, market networks, economic and social infrastructures, government facilities and family support differs between urban and rural entrepreneurs. In these drastically different settings why individuals in rural areas opt for entrepreneurship could be explained more clearly by push and pull factors rather than by the need for achievement factors. In this way for rural individuals entrepreneurship is a ‘survival strategy’. It is clear from the above data that the main driving force for doing business in rural area is to earn for livelihood. Another explanation for this reality could be obtained from survival strategy perspective. As indicated by Mead and Liedholm, based on their study on microenterprises in developing countries, concluded that most of the micro enterprises predominantly depend on ‘survival type activity’ and only a few of them ‘are seeking to expand’.¹³ To support the above observation they took shelter under the dual labour market model proposed by Lewis. Lewis said that households normally engage in types of informal and survivalist entrepreneurship specifically in an early stage of economic development.¹⁴

II.FAMILY BACKGROUND

Table B: Rural Entrepreneurs continuing their Family Members Business (in percentage)

Indicators	Number	Percentage
Same Type of Business	07	70
Other Type of Business	03	30
TOTAL	10	100

Resource: Researcher’s Field Survey

Around 70 percent of rural entrepreneurs were continuing their family business and only 30 percent of the rural entrepreneurs were doing new business or business which was different from the business carried on by their family members. In this way parental business background could be an important reason for the rural entrepreneurs to take up entrepreneurial activities. Level of development and parental business background are not related. This fact clearly says that one of the reasons for commencement of venture or continuation of venture is directly depending upon family, family support, family business and family capacity. The present study exhibits most of the rural entrepreneurs are willing to continue same type of business which is carried on by their family. Therefore the reason to commence the business is continue the family business and continue the family tradition in order to avoid risk. However the methods and requirements to start and continue business are same in all kinds’ entrepreneurship. Therefore it shows that family support is very important for nascent as well as for existing entrepreneurs. Studies on entrepreneurship say that having role models is a significant factor in wanting to start a business and self -employed parents tend to be especially relevant as mentors and guides for children starting their own businesses.¹⁵

We have seen that continuing family business or parental business background has produces several advantages to the entrepreneurs. The most important advantage is that the individual is exposed to the business from the childhood. This exposure enables one to digest the basics of business such as keeping account, taking utmost care in dealing with finance and also dealing with the people and control over unnecessary spending and the habit of saving and investment. It does not mean that all those who have come from families with business background would necessarily all get all the above experiences. But some are definitely going to get those experiences. It is also possible that the continued exposure to business environment from childhood may build a level of confidence which enable the individual to take decision on the future course of action. In this case future course of action is doing business.

III. INCOME

Table C: Income of Rural Entrepreneurs (in percentages)

Indicators	Number	Percentage
<1000	02	20
1000 – 2000	03	30
2000 – 4000	03	30
4000 and above	02	20
Total	10	100

Resource: Researcher's Field Survey

The above table gives details of earnings of rural entrepreneurs from business source. Normally rural entrepreneurs may not have source of income only from entrepreneurship. They may have other sources of income like agriculture, livestock etc., for the purpose of present study only entrepreneurial income of rural entrepreneurs are considered. The above table indicates 30 percent rural entrepreneurs have monthly income from business ranging 1000 to 4000. Income of the rural entrepreneurs depends on other factors also. They are agricultural profit or loss, customers purchasing power, demand for the products, local resources etc. The effect of non-farm employment on overall income inequality can be analyzed through the relationship between non-farm income on the one hand and farm income and landholdings on the other. The implicit assumption is that these two move in opposite directions. It is assumed that non-farm and farm incomes essentially offset each other. In other words smaller farm holdings have higher non-farm incomes than larger farm holdings or the share of non-farm income in total income declines as total household income from agriculture increases. Analysis of non-farm activities probabilities and earnings finds strong evidence of the importance of education in determining access to non-farm occupations. There is clear evidence that education improves prospects of finding non-farm activities and that with higher levels of education the odds of employment in well-paid regular non-farm occupations rises. An important aspect of this general finding is that relative to no education at all even small amounts of education can improve prospects considerably. This has important policy implications because it suggests one might expect to see appreciable changes in non-farm activities patterns and levels, even with incremental improvements in general education outcomes.

IV. PREVIOUS OCCUPATION

Table D: Previous Occupational Background of Rural Entrepreneurs (in percentages)

Indicators	Number	Percentage
Agriculture	06	60
Coolie in Non-Farm	02	20
Helping in Family Occupation	02	20

Resource: Researcher's Field Survey

Occupational diversification of rural entrepreneurs prior to starting the present business is shown in the above table. Data in the table show that more number of rural entrepreneurs' previous occupation was agriculture and after agriculture workers from non-farm sectors also started business. It is pertinent to ask why the majority of the rural entrepreneurs left agriculture and opted for entrepreneurship. The major factors highlighting the decline of agriculture are shrinking farm sizes, increasing cultivation costs and declining returns. No doubt all these factors narrate the failure of agriculture and growth of non-farm employment. The rural family farm is losing its esteem as a precious gift to be passed on in perpetuity. Along with this decline of agriculture growing aspirations for social and cultural mobility have also played a role. With prolonged agrarian crisis starting from the mid-1990s, villagers believe that one of the most reliable ways of escaping their rural confines is to seek alternative work in towns. Going for non-farm activities is also one of the choices lying in front of the agriculturists. A study attempted to establish relationship between the person-day unemployment rate and the growth of rural non-farm activities. A positive association between them has been established. Implying that the growth of rural non-farm activities is necessarily leads to the growth of residual sector.¹⁶

The data of the present study show that after agriculture more number of individuals who were engaged in non-farm sector as wage laborers took up entrepreneurial activities in the rural areas. Almost 20 percent of the rural entrepreneurs said that before commencing business they were working as wage laborers in non-farm sector activities. These figures prove that working in non-farm sector activities either as worker or in any other form works as training ground for the rural entrepreneurs. In addition, working in somebody's business motivated them to start their own business. This we can term as on the job training. Similarly helping in family business or occupation also could work as on the job training. More or less 20 percent of the rural entrepreneurs before commencing their own business were helping their family business. All these prior occupations worked as motivational factors to start own business.

CONCLUSION

We have started this paper with the intention of identifying the reasons for which individuals in the rural areas take up entrepreneurial activities. In the existing body of knowledge on the entrepreneurship a number of factors such as need for achievement, one's ambition to lead an independent life, self - actualization and other related factors are considered as factors motivating individuals to take up entrepreneurial activities. We have attempted to see whether the same factors are playing important role in motivating individuals in rural areas to take up entrepreneurial activities. In the previous pages we

have shown that what is true to urban entrepreneurs is not true to rural entrepreneurs. Most of the rural entrepreneurs came to non-farm sector due to agriculture failure, to supplement agricultural income, to continue family occupation, to earn livelihood and also due to lose of employment. All the above factors have pushed rural entrepreneurs to non-farm sector activities. It does not mean that other factors such as need for achievement, self-efficacy and related factors do not have any role. These factors also played some role in attracting individuals to rural entrepreneurship. In continuation of the above factors the family background of rural entrepreneurs were examined and found there were some cases of parents were doing business and rural entrepreneurs continued them without much changes. Another reason to take up entrepreneurial activities is income. Rural entrepreneurs who have earned more than thirty percent of their income from non-farm activities have not earned any income from agriculture and other sources. In other words it could be argued that those who do not earn income from agriculture and other sources move towards non-farm activities. Many instead of starting their own business began working in others non-farm sector activities also. Therefore we can conclude that for rural entrepreneurs non-farm activities are for livelihood purpose and it is a question of survival. Normally because of agricultural failure or low income from agriculture and other sources pushes rural people to take up entrepreneurial activities.

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